



The President's Daily Brief

20 July 1973

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Top Secret

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Exempt from general
declassification schedule of E.O. 11652
exception category 5B(1)(2), (3)
declassified under approval of
the Director of Central Intelligence

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

July 20, 1973

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The Laotian Communists are showing new interest in moving ahead on a political settlement. (Page 1)

In Cambodia, Prime Minister In Tam is again threatening to quit and there is some new evidence of military concern over President Lon Nol's leadership. (Page 2)

As the Libyans' "march on Cairo" proceeds, Sadat plans to allow the pro-unity demonstrators to cross the border but hopes to contain most of them well short of his capital. (Page 3)

On Page 4 we comment on the latest international monetary developments.

New Italian Prime Minister Rumor seems off to a good start, and has several months before his government's cohesion will be tested on sensitive domestic issues. (Page 5)

As China's Party Congress approaches, two programs of the Cultural Revolution period remain a source of contention. (Page 6) 25X1

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LAOS

The senior Lao Communist negotiator, Phoumi Vongvichit, said yesterday that he had been authorized to make concessions on political aspects of a settlement if Vientiane would change its positions on certain military points. He also indicated a willingness to scale down demands to station large Communist security forces near Vientiane and Luang Prabang--an issue that has been a major sticking point.

Suggesting that a final agreement need not await resolution of the Cambodian problem, Phoumi added that a Laos settlement might "set an example for other Indochinese countries."

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If Souvanna believes he now has the best agreement the government can reasonably expect, he probably is prepared to brave criticism from the right and instruct Pheng to sign a final agreement.

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CAMBODIA

Prime Minister In Tam, who earlier this week had indicated that he would stay on the job despite his continuing exclusion from military affairs, is again threatening to quit.

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In Tam's latest flip-flop evidently stems from his recent difficulties in trying to make a few cabinet changes. The Prime Minister has been unable to remove several ministers who represent Lon Nol's Socio-Republican Party and replace them with more competent and responsive individuals.

Meanwhile, there is more evidence of military concern over Lon Nol's leadership.

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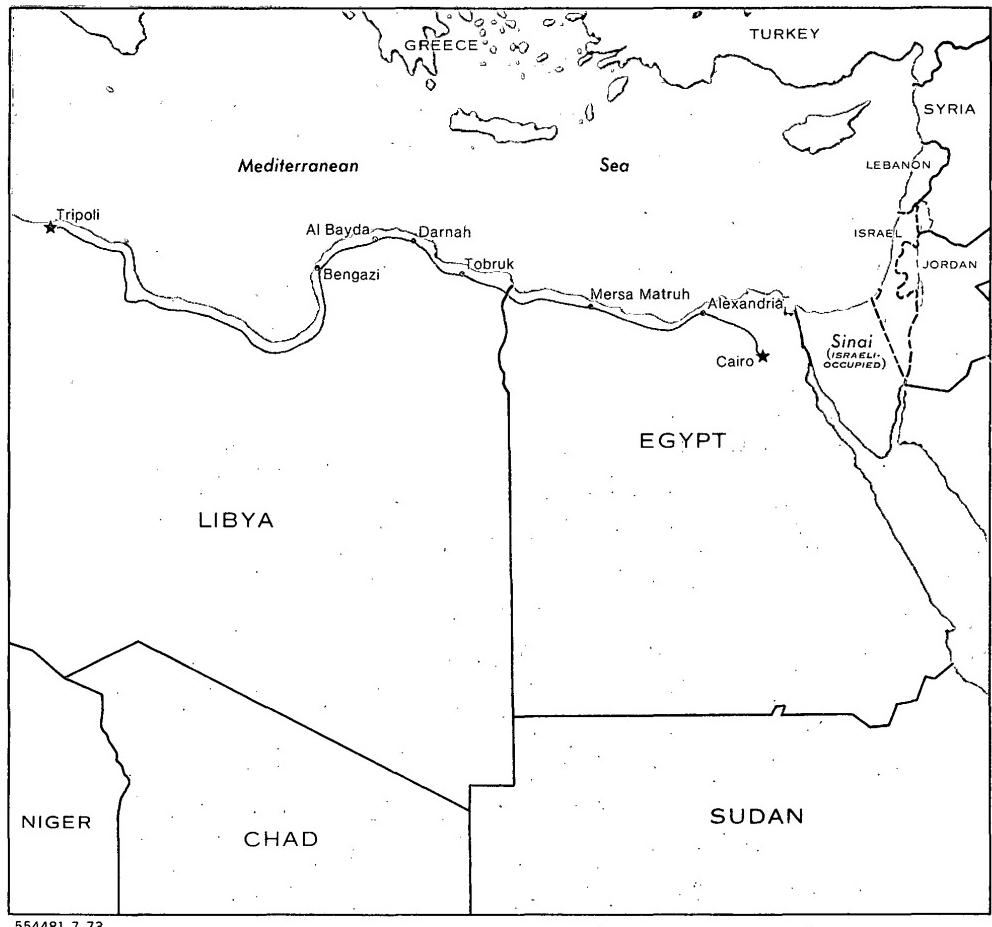
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EGYPT-LIBYA

The thousands-strong Libyan "march on Cairo" is proceeding, and advance segments are scheduled to arrive at the Egyptian border today. The marchers, who departed in a holiday spirit, seemed insensitive to the implications of their mass move into another sovereign state. Qadhafi, reportedly still in Benghazi, has yet to give his public blessing to the procession.

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Sadat still seems determined to halt the march before it reaches Cairo.

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Sadat reportedly will allow a token group of Libyans to proceed to Cairo, and hopes that the bulk of the demonstrators will soon return home after experiencing shortages of food and water at Mersa Matruh.

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Despite the Egyptian restraint, the strong, long-standing animosity between Libyans and Egyptians could easily lead to a clash at some point in the course of the march. The Libyans' attitude could quickly become more antagonistic if Qadhafi urges them to accept no restraints in pressing for unity.

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INTERNATIONAL MONETARY DEVELOPMENTS

Official confirmation that the US has intervened in support of the dollar and the announcement of Washington's Phase IV economic policy have had little immediate impact abroad. Traders, aware that so far the intervention by both US and European central banks has been small, evidently discount promises of further support.

Yesterday the dollar rose and the price of gold fell sharply, but only late in the day following apparently unfounded rumors that the French and German central banks had sold gold from their monetary reserves. Gold fell by more than \$5 an ounce in London and closed at \$114.25, the lowest since May 30.

The mark has again moved to the top of the European joint float band.

This raises the possibility that speculators will try to push the mark out of the band or bring about another revaluation. Bonn is tightening controls on foreign investment in German securities in the hope of impeding foreigners wishing to acquire marks for speculation. Past controls, however, have done little to slow the mark's climb.

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ITALY

Prime Minister Mariano Rumor is benefiting from the momentum of his rapid formation of a new government, to be installed today, and from the absence of an acceptable alternative to his center-left formula.

All four coalition partners warmly received his initial address to parliament, and labor leaders have given qualified approval to Rumor's government. The Communists state that the coalition is a step forward from Andreotti's centrist government, but maintain that it is still an inadequate response to national needs.

Rumor has made an anti-inflation program his first priority, and prospects for it are encouraging. The ministries of treasury, finance, and budget are manned by experienced and politically influential officials.

Government cohesion will not be tested until this fall, when coalition partners will face sensitive domestic issues on which they have major differences.

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CHINA

As the Tenth Party Congress approaches, Chinese media indicate that two programs of the Cultural Revolution period remain a source of contention. One is the participation of ordinary workers in official bodies; the other is the May 7 schools for remolding the ideology of veteran cadres.

Both issues are symptomatic of the continued competition for power between moderate and extremist factions. The same fissure will complicate the solution of such key questions as the division of power within the politburo, the succession question, economic priorities, and the political role of the military.

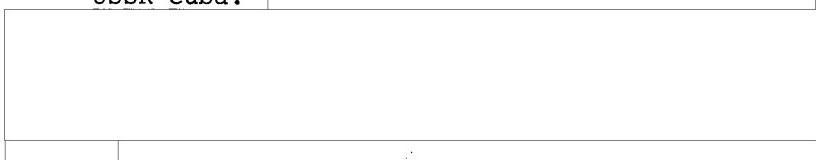
The date of the congress has still not been disclosed.

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